

**PROJECTS AND ENERGY**

UPPs: Reference tariff and annual quota 2020

Ministerial Order 80/2020 was published on 25 March 2019 in the context of the bidding model to allocate guaranteed remuneration. This model applies to producers of electricity from renewable energy sources, based on a single production technology, with a maximum installed capacity of up to 1 MW and intended for sale of all the energy to the Public Service Electricity Network (RESP), that opt for the guaranteed remuneration scheme (Small Production Units - UPP). The new legislation lays down the following conditions:

- **Reference tariff:** €45/MWh
- **Duration:** 15 years (non-renewable); and
- **Maximum annual quota** of connection capacity to the RESP to be awarded, in each calendar year, for installation of UPPs covered by the guaranteed remuneration scheme: 20 MW.

The production of electricity through UPPs with a maximum installed capacity of up to 1 MW and destined for sale in full to the RESP, is remunerated, at the option of the producer, by the:

- **General remuneration:** producers sell the electricity produced at a market price, or
- **Guaranteed remuneration:** producers sell the electricity produced at a guaranteed price in a certain period (fixed or indexed to a referential, with or without a minimums and/or maximums).

The guaranteed remuneration is obtained on the basis of a bidding model in which the bidders offer discounts, expressed in euros per MWh, at the reference tariff. Bidders which, respecting the capacity quotas to be allocated, offer the largest discounts on the reference tariff in the session to award capacity in which they present themselves, are selected for the allocation of connection capacity to the RESP under the guaranteed remuneration scheme.

"The reference tariff for 2020 applicable to UPP applicants that opt for the guaranteed remuneration is fixed at €45/MWh."

The reference tariff for 2020 applicable to UPP applicants that opt for the guaranteed remuneration is fixed at €45/MWh. This tariff represents the maximum remuneration, expressed in €/MWh for energy produced by UPPs and it applies to any renewable source of primary energy and technology type, regardless of the location of the UPP.

The tariff for 2019 was fixed at €95/MWh, so the maximum remuneration for renewable energy produced by an UPP under the guaranteed remuneration scheme is now reduced to around half. The new cap coincides with the price-limit established for the auction that took place in 2019 for large photovoltaic plants).

To allocate guaranteed remuneration to UPP producers of renewable energy, the DGEG (Directorate-General of Energy and Geology) organises auction sessions to allocate capacity. These sessions take place every month and their limit is the annual established quota (20 MW) and they respect the criteria established in the new ministerial order (the criterion of the largest discount offered on the reference tariff).

The active electrical energy produced by the UPP and delivered to the RESP is remunerated at the tariff allocated in the above monthly auctions (with the limit of €45/MWh). The guaranteed remuneration allocated under the new ministerial order applies for a period of 15 years, which is not renewable. This period begins to run from the start of the supply of electrical power to the RESP and, when it ends, the guaranteed remuneration also ends. At this time, the producer will move to the general remuneration scheme.

The guaranteed remuneration for UPPs allocated under the new ministerial order cannot be received at the same time as any other type of incentive to produce electricity under special arrangements, in particular the one resulting from the transaction of guarantee of origin of electricity produced from renewable energy sources (green certificates)¹.

The application of the new remuneration scheme ends when the producer communicates its renunciation of the guaranteed remuneration. When the guaranteed remuneration scheme is renounced in order to engage in the activity of self-consumption production of renewable energy (UPAC), the UPP registration is converted into a UPAC registration, by endorsement, after indication of the associated consumption installation. It is then governed by the rules approved by Decree-Law 162/2019 of 25 October².

"The guaranteed remuneration allocated under the new ministerial order applies for a period of 15 years, which is not renewable. This period begins to run from the start of the supply of electrical power to the RESP."

1 On the guarantee of origin, see our Informative Note, "Green certificates: Market now active in Portugal" available [here](#).

2 On the latest legislative changes applicable to the self-consumption of renewable energy, in particular on the Self-consumption Regulation, see our Informative Note "Autoconsumo: Novo Regulamento e Tarifas 2020" available [here](#).

"The first session to allocation capacity in 2020 is held on the first working day following the end of the second month after the entry into force of this Ministerial Order."

In relation to the next auctions to be held, it is important to note that:

- Within 30 days of the entry into force of the new ministerial order, the DGEG will organise a session to award capacity to UPPs whose power connection capacity does not exceed 250 kW, up to the limit of the capacity not awarded in 2019 under the previous UPP rules, taking into account the registrations accepted and the new reference tariff.
- The first session to allocation capacity in 2020 is held on the first working day following the end of the second month after the entry into force of this Ministerial Order.

For this purpose, applicants interested in UPP registration can submit their proposals for discounts on reference tariff up to the end of the first month following the entry into force of the Ministerial Order.

Finally, the DGEG has suspended the acceptance of new UPP registration applications and applications for other electricity producers until the end of April 2020, in accordance with Decree 27/2020 of 20 March 2020. ■